

QOG WORKING PAPER SERIES 2006:3

The Mechanisms of Corruption: Interest vs. Cognition

Bo Rothstein
Markus Tegnhammar

ISSN 1653-8919

THE **QOG** INSTITUTE
QUALITY OF GOVERNMENT



QOG
WORKING
PAPER SERIES
available at:
www.qog.pol.gu.se

Abstract

This paper starts by identifying a central theoretical problem in contemporary research about political corruption. While a lot of energy has been spent trying to figure out what types of political and economic institutions that relates to low corruption, very little is yet known about the process of changing government institutions in a severely corrupt country in to the better. We address this problem by combining existing explanations of corrupt behaviour with the theoretical discourse of path dependency in institutional analysis. Two self-reinforcing mechanisms are developed which identifies the intrinsic obstacles to change in corrupt political institutions. One mechanism is interest based (the strategic resistance from corrupt networks) while the other is based on cognition (self-fulfilling expectations). Both are analysed with material form five international agencies' methods for fighting corruption. The agencies are the European Bank of Reconstruction and Development (ERBD), the European Council, the Financial Action Task Force (FATF) the Swedish International Aid Organization (SIDA) and Transparency International (TI)

The empirical analysis is based on policy documents and on thirteen interviews with persons in these agencies who are responsible for anti-corruption policy. The result is that corruption is reproduced over time due to resistance from strategic interests and due to the self-fulfilling character of expectations about corruption. We end the paper by discussing the relative weight of cognitive vs. interest based explanations in institutional analysis.

"You know", asked Ahmad, "how Pakistan was No. 2 in the world in corruption?"

I said that I'd heard something about it. Pakistan had been ranked second only to Nigeria in a 1996 "global corruption index" by an outfit called Transparency International.

"Actually," Ahmad went on, "we were No. 1. But we bribed the Nigerians to take first place." (Stein 1997, se Galtung 2001: 28).¹

Introduction²

In this paper we will make three claims. The first is that current explanations for variations in the level of corruption between countries and the following policy recommendations have focused too much on structural and organizational variables, at the expense of the importance of the cognitive aspects of agents' strategies and the sequencing of events. Secondly, we will argue that there is little reason to believe that a corrupt system can be changed from within even if there is a significant political will for change among citizens and/or the political elite. The reason is that corruption can be seen as a *social trap* type of situation in which neither the agents at the bottom nor the agents at the top as individuals have reason for changing the system if they do not believe that most other agents are willing to change. Our argument is that such cognitive templates about "other agents" are crucial for understanding possibilities for change (Rothstein 2000). Thirdly, if neither a top-down nor a bottom-up approach to corruption is likely to work, this leads to a situation where it is reasonable to look at what agents outside the corrupt system can do. Agents that act from the sideline of a corrupt game would in this case be various international organizations. Building on previous quantitative work that has shown that a country's international involvement is conducive to a low level of

¹ Shortly after Transparency International had published their 1996 Corruption Perceptions Index report, Pakistan's Prime Minister Benazir Bhutto was forced to resign after loud protests against the country's widespread corruption from MPs in opposition and demonstrations taking place in the streets of Islamabad (Galtung 2001: 29).

² This paper is based on the Master thesis "The international fight against corruption: a study of international organizations anti-corruption work" (2005) written by Markus Tegnhamar with Bo Rothstein as supervisor.

corruption (Sandholtz & Gray 2003), we develop a model for how such agents may impact corruption and especially what type of resistance they are likely to face. To shed light on this model, we have interviewed a number of agents in international organizations about their experiences of and strategies for curbing corruption.³

The inertia of corruption

There is by now quite compelling empirical support for claiming that the quality of a country's political institutions determines its economic and social development (Easterley 2006; Clague et al. 1999; Easterly 2001; Mauro 1995; Rose-Ackerman & Kornai 2004; Olson 1996, Rodrik 1999; Evans 2005). It seems also to be the case that corruption destroys social capital (Rothstein & Eek 2006, Rothstein 2005). If so, it is of course paramount to know what causes some countries to have more high quality political institutions than others. If such causal factors are within the reach of contemporary human agency, it is naturally important to understand what sort of policy advice that can be useful for countries that suffers from systemic corruption.

The problem with fighting corruption is that this is a phenomenon that seems to be very sticky (Rothstein and Uslaner 2005). In plain language, most empirical research show that "once the system gets there, it stays there". If understood in a game theoretic framework, once corruption becomes systemic and the existence of widespread corrupt practices becomes "common knowledge", we seem to have a case of an extremely robust negative equilibrium (Bardhan 1997, cf. Mungiu-Pippidi 2006). As Douglass North have argued, it is a puzzle why not countries "that have institutional frameworks that are inhospitable to economic growth simply adopt the frameworks of the successful economies" (North 1998, 493). North further argues that we should realize that "efficient

³ There are many different definitions of corruption and the boundaries of the concept are not that clear, for example how and if it differs from clientilism, vote-bying, nepotism, machine-politics, patronage, etc (cf. Johnston 2005). We tend to agree with Kurer (2005) and Mungiu-Pippidi (2006) that corruption occurs when public officials in their actions as officials break norms about impartiality or universalism.

institutions” are the exception and that, contrary to functionalist reasoning, we have to accept the fact that history is not efficient in the sense that ineffective institutions will be weeded out by increased competition (North 1998:494).

The reason why corruption is a sticky problem is that none of the “players” in such a game have reasons to change their strategy (to pay or demand bribes). This is so, even if they all realized that they as a collective stand to loose from the ongoing corruption and even if most agents morally condemn corrupt practices. Agents at the bottom of a corrupt system, such as the “street level” tax bureaucrat, policemen or public health physician, have no incentive to refrain from corrupt practices because even if they as individuals start behaving honestly, nothing will change as long as most of their colleagues do not change their behaviour (Rothstein 2005, cf. Kornai 2000). In such situations, collective action for the common good is impossible to establish, at least as long as the majority of the players act so as to maximize their expected utility. Although he did not work within formal game theory, this was nicely captured by the Swedish Nobel laureate Gunnar Myrdal already in 1968 in his important work about the “soft state” problem. According to Myrdal, the ordinary “street level” official would reason like this: "Well, if everybody seems corrupt, why shouldn't I be corrupt" (Myrdal 1968:409). As is well known, it makes no sense to be the only honest player in a rotten game because that will not change the game. The implication is that a corrupt system usually can not be changed “from below”. This is probably why large public anti-corruption campaigns seem to have such limited effect or even negative effect because they establish the “common knowledge” that corrupt practices are indeed very common.

However, as shown by cases such as Singapore and Hong Kong, corruption can be successfully fought from above (Root 1996). Strong and determined political leaders can successfully fight corruption. One problem, at least from a normative perspective, is that both these well-known cases, while hugely successful, also comes with some bad news, namely that democracy seems not to be the cure for corruption. Neither country were a democracy when their successful campaigns against corruption were launched. Instead, it

was autocratic leaders who were isolated from public pressure and opinions that managed to install effective measures against corruption.

In a comparative perspective, Hong-Kong and Singapore are deviant cases since they have had few followers. Despite the huge efforts by many countries and international organizations to curb corruption during the last decade, there seem to be very few success stories. It seems to be the case that while leaders do have the necessary means for launching successful policies against corruption, they have usually no incentive to do so for the simple reason that they are often the ones who gain most from a corrupt system (Mungiu-Pippidi 2006). Either these gains are direct in the forms of money and power. Or such leaders have come to power by making accommodations with corrupt networks whom they then are dependent on for their re-elections.

One more important factor needs to be mentioned. While the practice of corruption clearly has cultural traits, it should not be seen as culturally determined. As shown by, e.g. Hilton Root's studies of Hong Kong and Singapore (Root 1996), the quality of political and legal institutions is not culturally determined. As is well-known, those societies have experienced remarkable economic growth, and Root shows convincingly that the prerequisite for that growth was the successful fight against corruption beginning in the 1970s. In a comparative perspective, those countries are distinguished by a relatively low extent of corruption. In the latest measurement published by Transparency International, Singapore was rated 9.3 on their 0-10 scale, sharing 5th place with Sweden, while Hong Kong was in 14th place (index 8.2). The measure used by Transparency international shows that nearby countries, which can be reasonably placed in the same cultural sphere, are considerably more corrupt. China is in 59th place with an index of 3.5. Indonesia, Singapore's neighbour to the south, ended up far down on the list in 96th place with an index of 1.9, and its northern neighbour Malaysia was ranked 33rd (index 4.9).⁴ We can conclude from these differences between nearby countries that the extent of corruption is not necessarily culturally determined (cf. Hodess, Banfield, and Wolfe 2001). We thus concur with Karklins' idea that ordinary people in corrupt systems do not

⁴ www.transparency.org – Corruption Perception index 2002.

internalize corrupt practices as morally legitimate acts. Instead, they condemn corruption as morally wrong and blame “the system” for forcing them to take part in corrupt activities (Karklins 2005, cf. Rothstein & Eek 2006). This is thus a case when agents faced with the opaqueness and complexity of corrupt institutions will have multiple identities and interests (Weir 2006). Given that they were confident that most other agents would not participate in corrupt practices, their main preference would be not to take or give bribes. However, given the opposite, the interest that they de facto act upon, result in corrupt behaviour.

The cognitive dimension of corrupt institutions is thus not that they induce a March – Olsen (1989) type “logic of appropriateness” because even people in countries where corruption is pervasive usually do not consider corruption appropriate. Instead, our theory is that agent’s cognitive logic of corruption has to do with established expectations of what “other people” in their society are doing when faced with similar problems. Such expectations (or to use another terminology, “common knowledge”) are in all likelihood established long sequences of interactions with “other people” and the institutions in which they operate. One way to analyze the impact of corrupt institutions is through the cultural theory known as the “collective memory” approach (Schwarz 1991, cf Ben-Yehuda 1995). A collective memory about what is to be expected if one deals with the public authorities (e.g. the police) in a country can be understood as the established institutionally induced cognition (cf. Rothstein 2005). The connection between this type of cultural theory and the logic of rationality in corruption mentioned above can readily be seen from the more advanced part of game theory known as evolutionary game theory. Compared to standard game theory in which actors only interact once and have perfect information, evolutionary game theory approaches the strategic problem agents face from the idea that they are engaged in long sequences of interactions. Because of the great number of interactions (“games”) over time and the following large number of players, perfect information on which one can base strategic choice does not exist. The result is the following:

Agents are not perfectly rational and fully informed about the world in which they live. They base their decisions on fragmentary information, they have incomplete models of the process they are engaged in, and they may not be especially forward looking. Still, they are not completely irrational: they adjust their behavior based on what they think other agents are going to do, and these expectations are generated endogenously by information about what other agents have done in the past (Young 1998:6).

For understanding the cognitive dimension of corrupt institutions, this perspective has a number of important implications. First, it is probably safe to say that few agents in corrupt societies are “fully informed” about how the system actually operates. This is why it is central to understand their “cognitive templates” and especially how they are produced and sustained. Secondly, this implies that it is the agents’ ideas about “what other agents are going to do” that guide their strategic choices. Thirdly, history in the form of “collective memory” enters the picture because the expectations about what the “other agents are going to do” is generated by (a probably imperfect) knowledge of how they have behaved in the past. Forth, since agents cannot themselves collect accurate information about how “the other agents” have behaved in the past, this makes it necessary to analyze how different political entrepreneurs strive to construct such cognitive templates (who are the Hutus, the Croats, the Catholics, the tax bureaucrats, the police, the Eurocrats and can they be trusted or not).

In this way, we do not have to understand agents that participate in corrupt practices as impregnated with a culture of corruption (or as having been breast-fed to hold such an identity). Instead, we can connect an historical explanation of how their expectations of other agents’ behaviour have been established with an utility-based explanations of their concrete behaviour in the specific situation they face. As Thelen (1999) has argued, the difference between historical and rational choice analyses of the way institutions induce agency is not based on different ideas about agents’ utility-functions or the need for “micro-foundations”, but on the importance given to how the institutions and the

perceptions of these institutions historically have been established. What becomes important is that it is the perception of institutions, or in other words, institutionally induced cognitive templates, that drive behaviour, not the institutions as such. A judge proceeding over a court in Denmark is in all likelihood something different from a judge that presides over a court in Nigeria (or the former Soviet Union).

Change in the level of corruption in a society can thus not come about just by changing the institutions because what counts is how the agents perceive that change (Mingui-Pippidi 2006). In the words of Matzavinos, North and Shariq (2002) we need to understand “how cognitive path dependence is linked to institutional path dependence”. We can thus summarize the problem of launching effective policies against corruption as follows. First, there is little to speak for the idea that systemic corruption can be fought from below (but see Mungui-Pippidi 2006). Secondly, the chance that leaders in corrupt countries, even if democratically elected, will launch successful campaigns and measures against corruptions is meagre. Thirdly, the evidence for understanding corruption as a mere “cultural” problem and that certain “cultures” will inevitable lead to corrupt institutions is scant. Instead corruption is a problem related to the established perceptions of what are the “rules of the game” and such rules (that is, the political and administrative institutions) can be changed also in regions of the world where corruption is widespread, as is shown by the Hong-Kong and Singapore cases. However, it is not the rules themselves, but the general system of beliefs about politics and the public sphere that they induce (or not) that is crucial. The question is then how such institutional change can come about given the inertia problems discussed above.

The state of anti-corruption research and policy – a critique

A society faced with the task of addressing systemic corruption needs to ask itself two principal questions. First,, what types of structural reforms are necessary in order to

reduce corruption? Common suggestions are to create new or to change existing legal institutions in order to alter incentive structures for taking or offering bribes. However, as argued above, such institutions are not easily established and this leads to the second question, namely which type of *processes* are likely to be successful for enacting reforms? As we will show below, previous research on corruption has mainly focused on the first, structural, question while the second one about the change of processes, strategies and agents' cognition have to a large extent been ignored.

One case in point is William Easterly who suggests two measures to curb corruption. "First, set up quality institutions...Second, establish policies that eliminate incentives for corruption" (2001: 252). Similar suggestions have been put forward by Alence in his *Political institutions and developmental governance in sub-Saharan Africa*, which examines how different types of political institutions affect the degree of corruption in 38 African countries. The conclusion is that a combination of electoral competition and institutional checks and balances on executive power has a negative effect on the frequency of corruption. In other words, this strategy suggests that the idea and practise of liberal democracy work counter to corruption (Alence 2004: 163). As argued above, there is little empirical evidence to show for democratization as an anti-corruption strategy. In *Seed of corruption – do market institutions matter?* Broadman and Recanatini identify that the establishment of a number of market economic institutions are key to change, among others "clear and transparent rules...and a robust competitive environment" (Broadman & Recanatini 2001: 359). For Rose-Ackerman, it is crucial that an independent judiciary is free from improper influence from the executive power (1999: 151) and that public institutions provide information of their decisions and actions, which in turn should be scrutinized and disseminated by free media (ibid. 162-167). Sandholtz and Koetzle, in a comparative analysis, find statistical support for their hypothesis that low levels of corruption correlate positively with the presence of formal democratic institutions, such as individual liberties and citizen rights, and with informal institutions like democratic norms. Their idea is that formal democratic structures facilitate citizen oversight and control, and that in a culture characterized of democratic values it is against normal behaviour to act corrupt (Sandholtz & Koetzle 2000: 37-39).

In sum, what this literature tells us is that by "fixing the incentives", the problem of corruption would be solved. It thus seems really simple: just increase the negative payoff to a point where the fear of being caught would be higher than the greed that leads agents to engage in fraud and corruption. The recipe would thus be that when a society's institutions are constructed so that fear is larger than greed, things go well. There is just one little problem here, namely constructing such institutions is in itself a collective action problem. Or to use Ostrom's words, a collective action problem of the second order (Ostrom 1998, cf. Bardhan 1997, Hechter 1992, Lichbach 1995, Miller 1992). Again, why would an agent that either stands to gain from corrupt practices or who can only lose by refraining from corruption at all be interested in creating such "efficient" institutions"?

In fact, the list of authors that are content with establishing that institutions which are characteristic for stable democracies with a well-functioning market economy show a relationship with low levels of corruption is very long. We argue that there is an important gap in our knowledge that concerns the dynamics of possible reform processes and questions about possible motives and strategies for agents that are to change a corrupt system. As Hans Blomkvist has asserted, much of the advice emanating from work like the ones mentioned above and from organizations like the United Nations Development Program, the International Monetary Fund, and the World Bank on how to curb corruption is based on the presumption of access to the kind of administrative praxis and institutions that seriously corrupt countries lack; that is, they presume that the desired end already exists (Blomkvist 2001, cf. Mungia-Pippidi 2006).

Instead of explaining the causes of corruption, we claim that what authors in this approach have produced is descriptions of how the institutional systems in corrupt and non-corrupt countries differ from each other. To offer transparency, democracy, an independent judicial anti-corruption agency or "good governance" as explanations and solutions to the issue of corruption leaves, in the best-case scenario, many important questions unanswered. A more fundamental critique is that in many cases, what is

produced are clear examples of tautologies. In the language of causality, it could be formulated as if the dependent and independent variables are so close as to be identical to one another and that the connection between them is reciprocal rather than causal (Finkel 1995: 22-25, Rosenberg 1968: 8f). In states, which are blessed with an independent and honest judiciary, effective institutions for anti-corruption measures and a free media, it is obviously quite right that these institutions facilitate political accountability and counteracts corruption. However, in states, which on the contrary suffer from systematically corrupt structures it is likely that the causal mechanism works in the opposite direction, meaning that it is the corruption of precisely this type of institutions that are holding back a development towards democratic governance (Warren 2003, Mungia-Pippidi 2006). In the search for universal theories on causes and solutions concerning corruption, many researchers do not recognize the inbuilt inertia (or path-dependency) of corrupt institutional systems. With the wording of Robert Harris:

...just as a predominantly non-corrupt system will self-correct to deal with corrupt individuals and the legislative or political flaws that facilitated their corruption, so will a predominantly corrupt system self-correct to maintain its corruption following a purge. (Harris 2003: 63)

Variables such as “high quality institutions” and “good governance” are in fact very close to what is usually considered as the exact opposite of corruption. As Claus Offe has argued, questions remain on what bring countries into a vicious circle with corrupt institutions and also, in a corrupt context: “which motives, values, and political forces would actually push forward the reform project...what are the incentives to introduce incentives designed to control corruption or to redesign opportunity structures? (Offe 2004, 91).

Common for the above presented research is that it does not handle the issue of *how* the reforms against corruption are to be carried out and by *whom*. The knowledge of which types of institutional systems that co-varies with low corruption is certainly important but leaves questions about agency, strategy and sequencing unanswered. Can it, to begin

with, be taken for granted that institutional systems can be transferred between countries with the same effects in the new environment? If as argued above, it is the institutionally induced system of beliefs that is important, then we have to recognize the possibility that people in a corrupt system will understand institutions that are imported from non-corrupt countries in a different way than what is the case in their country of origin. Secondly, a question that is usually left out in this institutional fix literature is what type obstacles that can be expected underway? In addition, what methods are suitable to overcome those obstacles? Explanations that focus on structural factors provide a comparative snapshot of which institutional environments that foster or hinder corruption, but fall short when it comes to questions of institutional inertia and how honest and efficient institutions can be constructed in an already thoroughly corrupt system.

In addition, if new institutions have to be created, the questions about agency becomes central. It seems as if the search for structures that co-varies with low levels of corruption has been at the expense of the attention assigned to what agents there are and which strategies they can use. If we are to establish a thorough picture of what can become a successful reform process, research should start to identify different agents' roles and interests (Diniño 2002: 8). Essential questions are for example what groups can be expected to oppose reforms and how this resistance should be dealt with? Who are likely to support change and how can they best be involved in the struggle against corruption?⁵

Corruption, path dependency and the importance of feed-back mechanisms

In an important article about methodological problems in comparative politics, Peter Hall has argued that our ontological understanding of how the social world works has outrun

⁵ In addition, we do not believe that the argument put forward by for example Tanzi (2000) and Alesina and Angeletos (2005) that it is the size of government that causes corruption is convincing.. For example, when the latter, from deductive reasoning, concludes that "a large government increases corruption and rent-seeking" (2005:18) this flies in the face of all known empirical research. One example is that the countries that according all established measures of corruption score best are the Nordic ones. Much can be said about these countries, but not that the size of their public sectors are small or that they lack policies for regulating the economy and social conditions.

the standard methodological repertoire. The development of an ontology that recognizes strong feed-back mechanisms, lock-in effects and self-reinforcing patterns between variables over time, is not compatible with the idea that the world consists of variables than can be clearly distinguished by labelling them “independent” and “dependant” and running them in one-time-shot multivariate regressions. Strategic interaction or institutionally induced pay-offs that serve to strengthen the reproduction of that very institution, are but two examples of this problem. Secondly, according to Hall we have observations that the event(s) that ultimately put(s) a system on to a specific historical “path” leading to a unique equilibrium, may have occurred at “formative moments” very early on in the process. Hall’s point is that such ultimately important variables that are to be found in a “distant past” are hard to capture by using the standard methods such as multivariate regressions. Hall’s main recommendation for aligning ontology and methodology in comparative politics is that analysis should be centred on the tracing of processes that makes it possible to uncover how the *causal mechanisms* operate in various self-reinforcing patterns to produce different outcomes (equilibria).

Moreover, Paul Pierson has argued that social science to a higher degree ought to acknowledge the fact that social processes take place over time and “that history matters” (2004: 2). Pierson criticises many social scientists for searching only for synchronic explanations, without recognizing the temporal (diachronic) dimension of many social phenomena.⁶ The concept of *path dependency* is today well established and is, in the sense of processes with feed-back mechanisms such as corruption, assigned a central place by Pierson (2004: 20; 2000: 251f). Somewhat simplified, path dependency means that:

Initial steps in a particular direction may encourage further movement
along the same path. Over time, roads not chosen may become

⁶ Synchronic explanations only use variables which do not stretch over time. An examination of about 600 articles from four leading journals in the area of political science shows that two thirds of the articles only conduct research on synchronic variations on the dependent as well as the independent variable (Pierson 2004: 97f).

increasingly distant, increasingly unreachable alternatives. (Pierson 2004: 64).

In line with Pierson's way of thinking, a complete explanation of variations of levels of corruption between countries would on the one hand consist of historic examinations trying to find out why corruption arises, and on the other hand of the causal logic in the *self-reinforcing mechanisms* which reproduce a corrupt behaviour over time. Starting from the question about processes opens up possibilities to think in a somewhat different manner about change and sequencing.

Pierson has to our knowledge never applied his model to corruption. On the contrary, it has been developed in a very different context, namely how to understand political support for welfare and social policies. However, since this type of government action can be seen as the mirror image of corruption (Rothstein & Uslaner 2005), his model should be useful also for our purpose. For example, Pierson argues that one reason why the Reagan and Thatcher administrations had relatively little success in their ambitions to dismantle the welfare state, was that the various programs had by their own logic created important political support networks that had strong incentives to fight for the maintenance of the programs (Pierson 1994: 28-30). Our idea is that the problem of dismantling corruption ought to follow the same logic – the difficulty is that its very practice creates powerful support networks that would have to take considerable losses if the system was changed.

According to Pierson, early events in a sequence bring about different types of feedback and self-reinforcing mechanisms. Initially there are several plausible directions in which a process might unfold but early events have effects on future prospects. In time, this tends to lead to a lock-in on a specific development path. Pierson summarizes the features of a self-reinforcing process in four points.

1. *Multiple equilibria*. Under a set of initial conditions conducive to positive feedback, a range of outcomes is generally possible.

2. *Contingency*. Relatively small events, if occurring at the right moment, can have large and enduring consequences.
3. A critical role for *timing and sequencing*. In these path-dependent processes, *when* an event occurs may be crucial. Because early parts of a sequence matter much more than later parts, an event that happens “too late” may have no effect, although it might have been of great consequence if the timing had been different.
4. *Inertia*. Once such a process has been established, positive feedback will generally lead to a single equilibrium. This equilibrium will in turn be resistant to change. (ibid. 44).

Even minor events which occur early in a sequence might thus be crucial to the outcome since they are comparatively more significant than later parts of the process. As Pierson puts it, “As feedback loops become central to the process that follows a critical juncture, it becomes impossible to delineate clear causes and effects; instead, a set of factors mutually reinforce one another.” (2004: 95). For our purpose, a fundamental question is how *already existing* corrupt structures influence actors attitudes to and perceptions of alternative institutional settings. With Pierson’s wording, “to what extent do particular institutional adoptions set in motion a set of effects that change actors’ calculations of the costs and benefits of alternative institutional arrangements? (2004: 148). If adapted to the problem of corruption, our argument is that in a systematically corrupt country, there are actors in all parts of society – politicians, civil servants, private sector managers, ordinary citizens, – who are all connected to one another in some sorts of networks where corruption flourish. In a similar vein, James Scott argues that in systematically corrupt societies one has to ask oneself the question of how the hidden political arena of corruption affects “the distribution of power and authority in the political system, how it distorts the formal declarations of government policy, how it influences the character and composition of the political elite over time” (Scott 1972, see also Karklins 2002: 63). We

name this causal mechanism the *resistance from corrupt networks*. This mechanism is based on an understanding of agents as being rational in wanting to maximize utility.

However, corruption can not only be understood in a rationalistic approach simply because that would not explain the enormous variation that exists in levels of corruption (unless you happen to believe that some people are better in understanding utility than others). We therefore need to add a cultural mechanism to the model. This second mechanism of our model is the cognitive effect corrupt institutions have on people's perceptions of what other agents are likely to do. That is, the *self-fulfilling expectations of corruption*. Pierson, building on the classic work by Robert Merton on "self-fulfilling prophecies", argues for the importance of "the self-fulfilling character of expectations" (2004: 254). The idea behind this mechanism is the following: When corruption has become the "standard operating procedure", in the sense of general and widely shared expectations, it is very hard for the individual citizen or private sector manager to be successful (or avoid being hurt) in his/her contacts with public institutions without offering some sort of bribe. Based on the collective memory, politicians and civil servants simply take for granted that they will be offered bribes or other kickbacks, and the "supply side" of this interaction (read: people in general) does not even imagine that they can achieve what they need to achieve without paying bribes. The "self-fulfilling character of expectations" is connected to people's cognitive perceptions of the basic rules of their society and is thus institutionally induced.. This idea has been illustrated in a report published by the United Nations Development Program in 2002 about the situation in Bosnia Herzegovina, The report presents the results of a survey study showing that between 60 and 70 percent of respondents believe that severe corruption exists in the health care system, justice system, and the media. Slightly more than half believe corruption also exists in the various UN bodies working within the region. The conclusion made in the report is telling:

For the average citizen, therefore, it seems that corruption has broken down all barriers and dictates the rules of life. That is not very different from saying that *they interpret life in terms of*

corruption. As long as bureaucratic practice remains unreformed and there is a lack of transparency and accountability in public business, this will continue to be the case. People will use whatever mechanism they think will bring them an advantage and those in office will take advantage of that in their turn. (UNDP 2002, p. 27).

Our argument is that if corruption in public institutions make citizens “interpret life in terms of corruption”, this would have a clear effect on what they expect from their interaction with other people, be they civil servants or people in general.

While both mechanisms we have identified above are important for understanding corruption, they differ in certain respects. One is that when it comes to support from powerful networks, this is a winner-loser conflict – those inside the networks gain on those outside the networks loses. For self-fulfilling prophecies, who wins and who gains is not so clear. In this approach, both the one who pays a bribe and the one who receives it can think of themselves as winners. The payer may for example jump a queue or get a licence or contract that would give him/her at a competitive advantage. The agent who receives a bribe may think that if he/she did not accept the bribe, it would simply have gone to someone else. Thus, such agents would also see themselves as winners because the only result of not accepting the bribe would be that it would have gone to someone else. On the other hand, both agents may understand that both would be better off if corruption as a practice did not exist.

For the empirical analysis, two things come out of the logic of these two mechanisms. For the first one, policies against corruption need to mount enough power that will make it possible to break the power of corrupt networks. Here, anti-corruption strategy is a game about power and incentives. For the second mechanism, power is of less relevance. In this case, policies have to be directed against the mind-set of people, especially concerning their expectations of what other people are going to do.

If not from below or from above – then maybe from the sideline

From our theoretical standpoint outlined above, it follows that a system which has reached a robust negative equilibrium such as systemic corruption, is not likely to change from within. Instead, we would expect that it needs something from the outside (an external shock) to change. One example about the importance of “outside forces” comes from Harris’ research on corruption in China. As can be expected, he points at how unlikely it is that reforms will be initiated from within the country. Corrupt elites are united by a common self-interest and by the mutual fear of being exposed and punished. People at large who are affected negatively by corruption are usually poor and uninformed and generally have no alternatives but to play along, and if possible, to gain some advantages of their own. (2003: 92). When such a deadlock has been established, some kind of “external shock” seems necessary. As Harris puts it:

High corruption can only be addressed, to the extent that it can be addressed at all, by the external intervention of international donors or trading partners, or by international governmental or non-governmental organizations (ibid. 34).

In similar vein, Wayne Sandholtz and Mark Gray have argued that international integration works against corruption at the national level. Using a wealth of data, they show that the more countries are involved in international trade and the longer they have been active in various international organizations, the lower is the level of corruption. This hypothesis holds also when the rich stable democracies (the OECD countries) are left out and when variables such as religion, British heritage and government economic intervention are controlled for. What is particularly interesting from our perspective is that they claim that the effect of international integration runs both through normative and economic (interest based) channels. The normative channel stems according to their analysis from the strong stigmatization that nowadays is connected to corruption in most

international organizations. The logic of the economic channel is that international trade penalizes corruption, for example by making large capital holders refrain from investing in countries where corruption is endemic (Sandholtz and Gray 2003:766f). While we think that there is much that speaks in favour of their theses, both theoretically and according to the statistical analysis they present, the problem from a process and agent related perspective is that this is yet another structural explanation without attention to sequences and mechanisms. We want to add to Sandholtz and Gray's statistical approach by analyzing how international agents actively conduct anti-corruption work, what type of resistance and problems they encounter.

Since the mid-1990s, it is possible to speak about the emergence of an international regime against corruption. A number of important international organizations such as the World Bank, the United Nations Development Program, the African Union and the European Union have put anti-corruption high on their agendas. It is, according to several authors, nowadays possible to speak about a global anti-corruption discourse (Sandholtz & Gray 2003). Much could be said about this phenomenon, but here we have made use of it for analyzing if the two mechanisms which we have identified from the theoretical literature can be traced empirically. Our reasoning follows a simple logic – if *the self-fulfilling character of expectations* and the *resistance from corrupt networks* are important hindrances against successful anti-corruption policies, agents in international anti-corruption organizations ought to recognize them in their work.

Personal interviews with thirteen such agents working in five different international organizations have been carried out.⁷ All persons interviewed were or had been engaged in anti-corruption policies in countries where corruption can be classified as systemic. Officials from the following organizations were chosen:

The European Bank for Reconstruction and Development (ERBD)

The Council of Europe/ Group of States against Corruption (GRECO)

The Financial Action Task Force (FATF)

⁷ The interviews were done by Markus Tegnhammar.

The Swedish International Development Cooperation Agency (Sida)
Transparency International (TI)

Our choice of organizations was driven by an ambition to explore both the economic and the normative channels that Sandholtz and Gray put forward. The ERBD and FATF have thus a more incentive based orientation, while SIDA, Transparency International and the Council of Europe/GRECO can be seen as organizations that are more normatively oriented. The interviews were conducted in 2004 and took between one and two hours. They were tape recorded and transcribed during the following days. In order to validate the answers, two or three officials from each organization were interviewed. The first reason why we chose to do personal interviews is that empirical research about the experiences that agents who are actively involved in anti-corruption work is lacking. The second reason is that we wanted to get a better understanding of how these agents, whom all have had a long experience in conducting anti-corruption policies, view the causal logic of systemic corruption. The third reason was to see if the two causal mechanisms that we have identified from our theoretical perspective were seen as realities also by this type of agents. We are fully aware of the problem that one can hardly generalize from such a small sample. At this stage, we have no ambition to confirm our theoretical propositions. Instead the empirical part is explorative and should be seen as an initial step in the development of a causal theory about policies against corruption. The interviews were deliberately set in a conversational style and were organized to gather the agents' views of the problem in five broad themes. These were:

1. What are the causes behind corruption? Why do people engage in corruption?
2. How did the person regard the process of change (fast or slow)?
3. Which are the most important hindrances against a positive change?
4. What is the key for achieving change?
5. Which are the most important measures the agent/organization used to curb corruption?

Themes 1 and 2 were intended to get the agent's general view of the problem of systemic corruption and how they viewed the problem in a time frame. Themes 3 to 5 were intended to capture if the two theoretically deducted causal mechanisms were recognized by the agents. Another ambition was to move from the general to the more specific level to minimize the risk that the answers would be influenced by our theoretical propositions. We considered that starting at a very general level (theme 1 and 2) was important because this would not reveal our specific theoretical perspective concerning the causal mechanisms to the person under interview.⁸ Before we analyze the results from the interviews, a brief summary of each of the organizations will be presented.

International organizations against corruption – strategies

The European Bank for Reconstruction and Development was established in 1991 following the collapse of the Soviet Union. It is owned by no less than 60 states and the European Union. Its main task is to support the transition to democracy and market economy in 27 countries in Central Europe and Central Asia. The EBRD is somewhat different from many other financial organizations because it has both a political as well as an economic mandate. In addition to traditional economic parameters, the bank is also obliged to consider environmental issues and anti-corruption in its investment decisions. To make honest business in countries where corruption is endemic is, to say the least, a difficult task. The Bank takes as its starting point that the business environments in which it operates are "thoroughly corrupt".⁹ From our perspective, the EBRD is of particular importance firstly because the organization views corruption as a major obstacle to development and secondly, because its means are mainly incentive oriented. Three persons at the Bank were interviewed – namely Michael Nussbaumer, Team Leader for Legal Transition and Knowledge Management, Chief Compliance Officer Enery Quiñones and Senior Political Counsellor Alan Rousso who is responsible for

⁸ Large parts of the interviews concern the specific measures each organization uses in their anti-corruption policies. While this is in itself very interesting, limitations of space make it impossible for us to present this material. For those interested and who can read Swedish, please visit www.qog.pol.gu.se.

⁹ Quiñones interview (see footnote 7).

coordinating anti-corruption policies at the Bank.¹⁰ The bank uses a variety of measures in its anti-corruption efforts such as various “checklists” that contains a series of questions about the owner of the company the Bank considers doing business with. They also hire special consultants for gathering information about local companies. The Bank also has a team of legal experts (called the Legal Transition Team) that evaluates the legal framework in the countries where the Bank is active as well as providing advice about new laws and implementing institutions. Each country’s legal frameworks is evaluated against the standard set by the OECD. The quality is set at a five-point scale that goes from “very low compliance” to “very high compliance”. The results from these evaluations are published so that potential investors can use them. As formulated by one of the officials: “The idea is that when governments see these rankings that will give them an incentive to do something about it.” As an example, he mentions Poland that in a recent evaluation got a very low ranking (after countries like Albania and Moldavia) concerning the possibilities for investors to effectively claim payments of debts from companies and individuals. Shortly after this evaluation of the legal framework was made public, the Polish Central Bank contacted the EBRD in order to get assistance with this particular problem.¹¹ To summarize, the core of the EBRD’s strategy is to create incentives for companies as well as governments to be interested in making changes. However, EBRD also tries to put a normative pressure on countries to change, for example by publishing their evaluations reports.

The Council of Europe was established in 1949 and has as of today 46 member states. The organization is mostly known for the European Convention on Human Rights and for the possibilities for individual citizens to take their case to the European Court of Human Rights. The struggle against corruption is seen as closely related to areas such as organized crime and money laundering. The motives for the Council’s anti-corruption policies are that,

¹⁰ The interviews took place at the Bank’s central office in London on November 24th, 2004. To complement the first interviews Alan Rouso was interviewed again by phone on December 6, 2004 as was Michael Nussbaumer on December 15, 2004.

¹¹ Nussbaumer interview

Corruption represents a major threat to the rule of law, democracy, human rights, fairness and social justice.... it hinders economic development and endangers the stability of democratic institutions and the moral foundations of society (Council of Europe 2003).

In 1994, the Council set up a “multidisciplinary group against corruption “ (GMC) which in 1995 presented an extended program against corruption. In 1997, the intensity of this work increased and got a lot of attention in connection with the summit of in Strasbourg and a conference held by the Ministers of Justice from the member countries in Prague. In 1999, two legally binding conventions were issued. The body within the Council that has the implementation of these two conventions in its hand is GRECO (Group of States Against Corruption) which has 34 member states. To become member of GRECO, a state must have ratified both conventions and it must also without reservations accept the process of evaluation that GRECO handles (Council of Europe 2005, 2004b). Three persons at GRECO were interviewed: Björn Jansson who is Executive Official at GRECO and the secretariat of the Council of Europe in Strasbourg, Wolfgang Rau who is the Executive Secretary of GRECO and has the main responsibility for GRECO’s evaluations of the member states, and Alexander Seger who is Head of Technical Cooperation which implies that he has the main responsibility for the technical assistance that the Council provides for the member states.¹² The evaluations are carried out in “rounds”, starting with demands on the state to provide written answer to a number of questions concerning laws and legal practices. From this, a memorandum is produced that serves as background material for a group of experts that are appointed by the Council and that visit the country during a week. The expert group visits central institutions and carries out interviews, which results in a formal report in which the situation in the country is analyzed. The report also gives a number of policy recommendations which often points at weaknesses in the institutional framework. GRECO does not produce statements about the level of corruption in the countries that are evaluated. Instead the idea is to analyze to what extent the legal and administrative

¹² Björn Jansson and Wolfgang Rau wer interviewed in Strasbourg November 25, 2004, and Rau was again interview by phone on Dec 6, 2004. Alexander Seger was interview by phone on December 17, 2004.

institutions are designed so as to curb corruption. The expert group reports are finally approved by GRECO's plenary assembly in which representatives for each member state have a seat. After the report has been approved, there is an 18 months period during which the country is supposed to attend the problems pointed at. After this, a new group of experts are sent to the country that evaluates to what extend there has been compliance with the previous groups' recommendations. This process is carried on until all recommendations are deemed to have been implemented. According to Rau: "there is a permanent ongoing reporting obligation and peer pressure". According to Jansson and Rau, this system of peer pressure is surprisingly effective. The recommendations have become a sort of "case law" that makes it difficult for individual countries to oppose the recommendations. All GRECO reports are made public which makes it possible for investors to compare the situation in different countries. According to Rau:

You can be sure of that among bits of information that are extremely important for businesses when they seek to spread to other countries is precisely the question of how corrupt is the country. If businesses perceive that in country X public administration is completely rotten and they have to pay high bribes to achieve anything then they might rather think twice before going into that country.¹³

The importance of this type of information reaches outside the economic sphere according to Rau. The general reputation for a country is important in for example international negotiations. Janson exemplifies GRECO's importance by pointing to that the reports were used by the European Union in their negotiations with the new member states in the last round of enlargement. Furthermore, many international financial organizations use the evaluations when deciding about loans.

In addition to the evaluations and reports by expert groups, the Council of Europe also provides "technical assistance" to help member states comply with the recommendations. Most of this is directed to the new member states in Eastern Europe. The programs contain education for people within the legal system and also bring together people from

¹³ Ibid.

these regions for common discussions of how to combat corruption. The Council of Europe has put great efforts (and hope) in establishing “specialized anti-corruption services” in the member states. These are central government organizations that are geared to supervise and implement policies against corruption and that also have responsibility for training and education. To summarize, the core of the Council of Europe’s efforts is to create a normative pressure for countries to change by using peer-review, publicity, education and to create specialized institutions. However, there are also clear incentives built into these strategies, especially concerning how the reports are meant to influence international investors and how they will influence countries’ standing in international negotiations.

The Financial Action Task Force (FATF) was established in 1989 at a G7 summit in Paris and has now 31 member states. Instead of increasing the number of members, FATF has taken the initiative to establish independent regional organizations in, for example, Africa, the Caribbean, Asia and Latin America. The original intention was to fight the narcotics trade by concentrating on its financial side in international money laundering. Money laundering is often connected to large scale corruption and can be seen as the last step in a chain of corruption. The officials interviewed were Claes Norgren who was the chairman of FATF 2003-2004 and Eva Lena Nibelius who is Head of the Swedish Delegation to FATF¹⁴ What singles out FATF from the other organizations is that it tries to attack corruption from the financial side. It is also fair to say that its evaluation criteria is comparatively stern. FATF has issued some forty recommendations and make inquiries of its member states and also of states that are not members. The connection between corruption and money laundering is explicitly made by the organization.¹⁵

¹⁴ Both interviews took place in Stockholm December 16, 2004. Nibelius is deputy assistant undersecretary at the Swedish Ministry of Finance with special responsibility for questions concerning money laundering. Norgren is Director General for the Swedish Competition Authority (the national anti-trust agency).

¹⁵ FATF. *The Forty Recommendations* (electronically available at http://www1.oecd.org/fatf/40Recs_en.htm#Forty >

The procedures that FATF uses are very similar to the ones used by the Council of Europe/GRECO. The evaluation starts by countries having to answer a number of questions concerning legislation and how institutions collaborate. This is followed up by expert groups visits that result in written reports from which country specific recommendations are drawn. The most interesting difference between FATF and GRECO is the strength of the former's possibilities to implement sanction not only against its member states but also against non-member states, the so called NCCT-process (Non-Cooperative Countries and Territories). Countries that are deemed not to live up to the demands in the forty recommendations are put on a "black list" of money laundering. As of today, three countries have been put on the list (Burma, Nauru and Nigeria) but the list has at times been much longer including countries like Russia, Ukraine and Indonesia. For countries on the "black list" that do not implement the recommendations, FATF issues countermeasures in the form of recommendations to national and international financial institutes to be extra cautious in their relations with the country at hand. In the beginning about thirty countries were deemed as problematic and for these countries evaluations were carried out. States that did not comply were put on the "black list" which is updated and revised continuously. According to Norgren, this hard-boiled methodology has been very unpopular in certain quarters but the strategy has also been obvious and remarkably swift. The consequences of being put on FATF's "black list" or worse, being marked for countermeasures are according to Norgren quite significant because the whole process is public:

...when this information is published, it has an immediate effect on the financial markets. Not least from a diplomatic perspective, it is not a very pleasant situation to be put on the black list, but one can of course be vary about the consequences. So what if we are on the black list.... However, this "so what" is that it effects these countries possibilities to borrow money. Typically, this implies that they will have to pay more for their loans. This works as a smoke signal on the financial markets.

According to Nebelius, the FATF's political clout was shown in the fact that it placed Russia on its black list and that, as a consequence, "Russia put enormous resources to get off the list and to establish an acceptable system". To summarize, the strategy from FATF is mostly incentive based. However, there are also signs of the importance given to norms, especially the idea to use the word "black listed" and the strategy to make the list public.

The Swedish International Development Cooperation Agency (Sida) is the main government agency responsible for the lion part of Sweden's international aid. For the period 2005-2007, corruption was put forward as one of the organization's three strategic priorities.¹⁶ For SIDA, corruption is primarily a question about economic development and poverty because according to the analysis put forward by the organization, corruption hits foremost the poorest people. The existence of systemic corruption risks making poverty permanent because "it makes the rich richer and the poor poorer" Sida (2005b). Two persons were interviewed at Sida: Inger Axell who is responsible for anticorruption at the department for "Policy and Methods". Axell has the main responsibility for increasing the awareness about corruption within the organization. The other person interviewed was Mr. Sten Ström who is executive official at the department for "Democracy and Social Development and who has been responsible for anti-corruption measures in relation to aid directed at civil service reforms."¹⁷ Both interviewees revealed that contrary to the other organizations we have selected, Sida can not be seen as to have a specific method or strategy against corruption. Instead, the idea is that anti-corruption shall permeate the whole organization. According to Ström, Sida has worked against corruption for quite a while but during the most recent years a change has taken place so that corruption is seen as unacceptable in all cases. Earlier, there were tendencies at Sida to hush up improper practices that appeared in connection with international aid because the risk that this would cause political complications or because the project at hand was deemed to have positive effects. The increasing attention given to corruption as a hindrance against economic and political development, Sida has become tougher.

¹⁶ The two others were HIV/AIDS and the implementation of new policies for global development.

¹⁷ Both interviews took place at SIDA's main office in Stockholm. Axell was interviewed on November 2nd, 2004 and Ström on December 13th, 2004.

The organization does not put anti-corruption as a condition for aid. Instead, Axell explains that the major part of Sida's program against corruption comes as civil service and public administration reforms, especially directed at tax administrations. The strategy is long-term and indirect, for example by giving support to civil society organizations and independent mass media that one hopes will put pressure on governments and political leaders to refrain from (or at least, limit) corruption. Increased awareness, openness and empowerment of civil society groups are seen as means for putting pressure on governments to act against corruption. According to Axell, the struggle against corruption is very much part and parcel of Sida's policies for strengthening democracy and human rights. In sum, Sida's strategy is mostly normative. However, one should not exclude the possibility that the strategy to empower independent organizations and mass media will influence political leaders in a more incentive oriented way through the effect this may have on their possibilities to stay in power (whether this is done by re-election or other means).

Transparency International (TI) is the only organization in our sample that is exclusively oriented at combating corruption. The organization was established as an international non-governmental organisation in 1993 when the issue of corruption was almost a taboo and when it was customary for companies in many Western countries to bribe politicians and officials in developing countries and make the costs deductible! TI's efforts have received enormous attention and must, at least if one considers public attention, be seen as a major success (Johnston 2005). Even if the increased attention for corruption related issues should not entirely be accredited to TI, the organization has had a crucial impact for the creation of several important international conventions and for the changed attitude to corruption from organizations such as the World Bank. The organization is perhaps most known for its yearly "Corruption Perception Index" in which the level of corruption in some 140 countries is ranked. The motives for fighting corruption according to TI are that this

- reduces poverty and diminishes social injustice,
- builds democracy and open government,
- brings transparency to international trade and commerce,

- strengthens global security,
- promotes sustainable development and protects the environment (TI 2004c: 2).

TI's organization consists of more than eighty national branches as well as a coordinating secretariat in Berlin. Three persons in TI were interviewed: Birgitta Johansson who is active in the Swedish section and who has a long career within the Swedish State Department and Sida. Bo Karlström who is chairperson of the Swedish section of TI and who has worked at the International Monetary Fund as well as been chief economist at Sida and economic advisor for the government in Kenya. Lastly, Diana Rodriguez, who is the editor of TI's most important publication (the yearly Global Corruption Report) as well as program manager for the organization.¹⁸

TI works against corruption with basically three main strategies. The first is to find and/or organize likeminded organizations within civil society, the business community as well as in the public sector. The idea is to not be engaged in specific cases but to achieve changes through the spread of information and by supporting forces that works "from below". At the international level, TI has worked to build networks of like-minded international organizations and to assist in the development of international conventions and other instruments against corruption. The third and most important strategy is to produce information at the global level about corruption. By increasing the awareness about corruption and its consequences the organization tries to put the issue on the agenda for as many agents as possible and to increase possibilities for demanding accountability. According to Rodriguez: "A lot of what we do is about transparency and it is about giving people access to the information that will allow them to hold their officials accountable".

Two instruments are of particular importance for TI. One is the so called *Integrity Pact* that is a framework that is meant to guarantee that the process of public contracting is carried out in an honest way. According to Rodriguez, TI has developed a number of ethical principles that companies can decide to follow. This is based on the trend among large companies known as corporate responsibility. As Rodriguez explains:

¹⁸ Johansson and Karlström interviewed in Stockholm November 2nd, 2004. Rodriguez interviewed by phone on December 10, 2004.

It is a way for shareholders and other interested people to hold companies accountable. You know, a company that has declared publicly that it is going to stand by these principles and then it violates those principles then you have something tangible to accuse them of violating.¹⁹

It is important in this context to underline that the Integrity Pact is a voluntary program and that TI has no legal or economic instruments for sanctions. The program is built on the idea for larger companies to create good-will for their trademarks.

The other important instrument is the TI Source Book which has been translated into twenty languages. It contains guidelines for a central concept for TI's activities, namely National Integrity System (NIS). In short, NIS contains a number of pillars for achieving accountability and that according to TI has to be put in place to make it possible to fight corruption. Among these are an independent judiciary, media that is not under government control and an independent civil society.

At this point, a few preliminary remarks can be made. First, we can confirm Sandholtz and Gray's conclusion about the use of both normative and incentives based strategies for counteracting corruption. This is thus a case when the analytical division that is often made in the social sciences between rationality and social norms does not fare well. Even if the organizations differ in their main focuses, all try to use a combination of both the pressure of social norms and the importance of economic incentives. Secondly, one can see a difference between strategies that are geared to creating an external pressure from the international community, and those that try to promote internal forces.

Mechanism I: Strategic resistance from corrupt networks

The five international actors interviewed are all well established organizations who possess a high status and they also have direct access to national political and economic elites. It therefore seems reasonable to assume that they have acquired an understanding about the importance of corrupt networks in a process of change. The overall picture that

¹⁹ Ibid.

appeared from the interviews is doubtlessly dark but there is also great variation in how the message is conveyed. In some interviews, the straightforwardness was almost surprising while others dressed their opinions in more cautious terms. We will begin this part by explaining the view of the organizations when it comes to the importance of corrupt networks and why they constitute an obstacle to positive change. Thereafter, we will present excerpts from the respondents' stories that show how the cognitive aspect of corruption is reproduced both internally within the networks and externally to the actors in the surrounding society.

On the whole, all persons interviewed explicitly expressed the opinion that corruption is a structural/institutional problem and that the analysis should aim at networks built up by corrupt actors rather than by single individuals. Sten Ström at Sida expresses this in the following way:

Corruption is not something single persons dedicate themselves to; it is nearly always a network of people. There can be very deeply rooted culture of corruption and in that case one has to set about the culture and the networks and not only the individuals.²⁰

Even if corrupt acts surely can be performed by single individuals, the fact that Ström considers the problem to be on a cultural level is interesting. The persons involved in corrupt networks are naturally varying. The most important thing to Diana Rodriguez at TI is that such networks concern relations that extend between different spheres of society like the executive power, the legislator, the judicial system and the business sector.²¹ For her part, Enery Quinones has the opinion that in a lot of cases, it is all about whether the actors involved are dependent from the right contacts and networks to, for example, be able to run a business

It is hard to be a businessman if somehow you are not connected to the political authorities in one way or another, either through friendship or through direct family relations. In order to be a successful businessman you have to have the protection, or at least the benign acceptance of the political authorities. Otherwise they won't let you operate.²²

According to Alan Rouso at ERBD, the networks are in some areas involved in organized crime and are not infrequently reaching over national borders. Inger Axell expresses that the latter problem is often a question of "an alliance between corrupt

²⁰ Ström, Sten, administrative official, SidaSida, interview on December 9, 2004.

²¹ Rodriguez, Diana, Program Manager, TI, interview on December 10, 2004.

²² Quinones, Enery, Chief Compliance Officer, EBRD, interview on November 24, 2004.

governments, corrupt politicians and high ranked public officials, and western companies and banks”.

During the interviews it became clear that corrupt networks exist on different levels. The most discussed subject, also presumed to be the greatest problem, is when the corrupt networks involve the elites of society. We do not have the basis to make a general statement about the extension of such elite networks, but it is striking how the discussions/interviews frequently touched upon political leaders at the very top, such as heads of State, ministers, and high ranked public officials. An idea that is frequently used in the literature as well as by the persons interviewed for signifying the attitude towards corruption at the highest echelons of the political system is that of the “political will”. The concept is thus more nuanced than political will in a narrow sense. It is rather a kind of diplomatic term defining to what extent high ranked politicians are directly involved or even the leading actors in corrupt transactions. The rather cynical or bitter opinions emphasized of the majority interviewed are that in systematically corrupt countries, it is often the elite of the society who gains most from the the corrupt system and therefore lacks rational reasons to work for reforms. In the words of Diana Rodriguez:

Politicians who are very comfortable with the fact that they have immunity protection or that there are no conflict-of-interest laws and so on, are not going to voluntarily want to start pushing for reforms and controls.²³

Sten Ström also considers the highest political power to constitute the hub in systemic corruption and that the problem in many countries can be described as kind of stairs where the population:

...miss the information about what is actually going on, and even if there had been that information, mechanisms for making people responsible are missing. It results in the fact that even in countries where corruption is publicly demonstrated nothing usually happens to these people proven to be guilty. They are supported by those in power.

When the networks are controlling high ranked persons in both politics and the judiciary, a very problematic deadlock arises. The colleague of Ström, Inger Axell, is on the same track and considers it a great problem when regimes undermines the freedom of

²³ Rodriguez, Diana, Program Manager, TI, interview on December 10, 2004.

organization and the freedom of the press to secure political power and economic revenues.

At the EBRD it appears that they are convinced of the decisive role corrupt networks with high ranked politicians at the head plays as opponents of change. On the question of which are the principal obstacles to reforms of corruption Alan Rousso answers:

I think primarily there are political obstacles. It is essentially a question of political will and in the countries where we operate, where corruption is the biggest problem, it is primarily a result of the fact that political leaders are in some way connected to corrupt elements in society. That doesn't necessarily mean organized crime though in some cases it can. But it certainly mean some sort of large business interest who find corruption a convenient way of maintaining a high stake in government.²⁴

Thus, when politicians, officials and businessmen have found a way to earn large sums of money from corruption, one should not expect them to be in a hurry to work for a change. The result is often a kind of political status quo where corruption is the norm and accepted by political leaders. In those situations where national elites are not interested in a reform, the efforts made by e.g. civil society organization will, according to Rousso, have a hard time to succeed. As an example of what great difference a genuine political engagement can do he chose the recently elected president of Ukraine, Viktor Yuschenko. During his previous work as a prime minister, he made vigorous efforts were made in order to fight corruption in for example the energy sector, with the result that the national income in this area multiplied.²⁵

Michel Nussbaumer at the EBRD presents a similar example from Georgia where in November 2003 Micheil Saakasjvili was elected president, after promises to fight the widespread corruption in his country. To be able to get to the corrupt traffic police Saakasjvili simply chose to dismiss all of the 19000 policemen and replace them by persons who got better pay and who had gone through a special education about corruption. Moreover, signs were placed around the country with telephone numbers to the department of justice where citizens forced to pay bribes could call. However, Nussbaumer considers such a commitment from the highest political level as something very uncommon. He also argues that it is important to indicate that corruption is not only

²⁴ Rousso, Alan, Senior Political Counselor, EBRD, interview on November 24, 2004.

²⁵ Ibid.

linked to economic interests but in many cases also to a continued possession of political power of the ruling networks.

Corruption is linked to power, people who have power, and in many cases they use it for their personal benefit and why would they give this away? There is no reason for them. If you are, you know, president of an authoritarian regime, why would you give away your power?²⁶

Also in the cases where the political leadership is firmly resolved to fight corruption, reforms are in practice hard to achieve. The corrupt networks are often so extensive and strong that they constitute a massive resistance even against those in power who have considerable resources. According to Enery Quinones, the expectations put on individuals like Saakasjvili and Jusjtjenko are sometimes too high. The systems they are up against are thoroughly corrupt and it is not possible to change them in a short period of time, no matter how much political will one possesses. With her own words, "people have vested interests, you can make a lot of enemies, it's a tricky business".²⁷ Diana Rodriguez at the TI holds the same opinion. Thanks to the fact that the question of anti-corruption today receives a lot of attention all over the world, she argues that it has become a common vote winner, even if it has its good points and its bad points. When a government that has gone to the polls with promises of implementing anti-corruption measures is installed, it often realizes what immense difficulties there are for fighting corruption in practice. It is about opposing very strong and entrenched interests in the public administration and in trade and industry that during a long time have made great profits on their corrupt arrangements. Furthermore, Rodriguez considers that it is not only a question of strong actors doing all that they can to keep their favorable positions. Perhaps even more important is how the corrupt networks "historical record" is to be managed in a juridical perspective. Should the actors be prosecuted or should they be given amnesty? The problem with prosecution is that the number of people involved in corrupt networks is often very large and that "once you start pulling at the string in one end it starts unraveling and a lot of people might be implicated and it might cross borders".²⁸ According to Sten Ström at the Sida the leaders who pick out on an agenda of anticorruption need "very much support".²⁹

²⁶ Nussbaumer, Michel, Team Leader, Legal Transition and Knowledge Management EBRD, interview on November 24, 2004.

²⁷ Quinones, Enery, Chief Compliance Officer, EBRD, interview on November 24, 2004.

²⁸ Rodriguez, Diana, Program Manager, TI, interview on December 10, 2004.

²⁹ Ström, Sten, administrative official, SidaSida, interview on December 9, 2004.

So far we have not yet touched upon the opinion of the interviewed officials at the Council of Europe concerning the importance of strategic resistance from corrupt networks. The reason is that the information from these interviews was both difficult to interpret and different from the rest of the actors. On the one hand there is reason for asserting that the support for the theory about the importance of corrupt networks is relatively weak at the Council of Europe. On the other hand, the persons interviewed did reason about corrupt political leaders opposing change, but for some reason these ideas seem to be expressed much more carefully by the representatives from the Council of Europe. Below we illustrate this from the interview with Wolfgang Rau because it most explicitly illustrates the point we want to make.

By way of introduction Wolfgang Rau recounts that he believes that a strong will in the leading political circles is very important for making it possible to fight corruption. Thus, when elaborating his argument, his view about the right approach for fighting corruption is more like seeing it as a political priority among others than as something related to influential corrupt networks. For example, Rau considers the relative weight granted to the question of corruption on the political agenda important for the signals it sends to the judicial system about the importance of enforcing legal action against people responsible for corrupt behavior.³⁰

In the way Rau uses the term political will, it has nothing to do with strategic resistance from corrupt networks. However, on a follow-up question concerning his opinion about what sort of political will to real change he sees among national elites, he answers:

Well, it is very difficult to make a generalization in this aspect. I don't think that we could argue, on the basis of what GRECO has found out, that there were a non-negligible number of countries that would actually not do anything. No that sounds very complicated. I believe from what we have found out in our evaluations and especially in the compliance procedure that overall there is a strong intention, a strong commitment of the highest political level to do something about the problem of corruption.³¹

This approach to the question of the “political will” on the highest political level is interesting not least in comparison with the view at the EBRD. By and large, all the

³⁰ Rau, Wolfgang, Executive Secretary of GRECO, interview on November 25, 2004.

³¹ Rau, Wolfgang, Executive Secretary of GRECO, interview on December 6, 2004.

countries where the EBRD is active are also members of GRECO, but in spite of that one draws different conclusions about what role high politicians play within the scope of corrupt networks. Later on in the interview Rau once again picked up the thread when saying that even if GRECO is not in a position to express any of those opinions, he is able to “picture himself” countries where it is harder to fight corruption because of the prevailing political culture.

If you take a highly corrupt country, a country of which you think it is highly corrupt, from other sources we know something about highly corrupt countries, it is certainly so that it is more difficult for politicians as well to address the issue because corruption can be so entrenched in the whole system, including in the political system, that it is simply not easy to have sufficient support for conclusive action. But that is not, you know that is always, what I am saying is very general, I don't want to go into specific examples.³²

In careful wordings, he further express that “some politicians, some high officials might not really wish to change the system because they benefit from it” which he means is particularly the case for the countries in Europe that are not yet members of the GRECO.³³ The impression from the interviews with Wolfgang Rau and Björn Janson is that they are actually seeing a huge problem with high level politicians and officials who are opposing reforms. However, they state this opinion very carefully and in not so precise terms.³⁴

The insight we can get into how corrupt and criminal networks act is naturally very limited. We want to underline that what is presented here are the “cognitive maps” from actors who, while knowledgeable, are observing the events from the outside. However, in some cases we got information in the form of “stories” where the interviewed persons had seen corrupt processes at close range. Bo Karlström, for example, recounted from when he was working as a newly-appointed adviser to the minister of finance in the Kenyan government. From this vanguard position, he experienced how his principal and employer, who came from a career as a professor in mathematics, gradually became part

³² Ibid.

³³ Ibid.

³⁴ It is not in within the limits of my paper or my knowledge to establish why this carefulness could be observed at exactly the Council of Europe. A pure speculation is thus that it is a consequence of the character of the organization, of classical international organization, where the governments are the clear heads of states and where it is not up to the secretariat to bring up opinions about how high ranked politicians, officials, and businessmen in the member countries think about corruption.

of the large-scale corruption in Kenya: “I could see how he was absorbed into the corruption and then how the screws were put on him”.³⁵ Karlström explains that it was hard, if not impossible, in the capacity as finance minister to stand outside the corrupt networks and even harder to try and get out of them. The internal logic guiding the networks is thus that “everybody has a hold on everybody” and “if one person falls everybody falls”. In this case, the finance minister, by way of being an outsider, constituted a threat that in some way had to be removed, in this case by trying to incorporate him in the corrupt structures.³⁶

Diana Rodriguez believes that corrupt networks constitute very flexible structures with great capability to adjust to new circumstances. Hence it follows that when networks are well entrenched, they will for a long time undermine any attempts to reform.

You might find a way of stemming some corruption flow and then, after you have stemmed that, then there is, you know, whoever involved might find a way of circumventing that new obstacle to their corrupt behavior, so I think it is a constant process.³⁷

Sten Ström gives a very concrete example of the problems Diana Rodriguez touches upon. His narrative, which is drawn from Tanzania, is very striking because of the often invisible resistance the advocates of resistance encounter from corrupt networks and therefore we cite him at length:

I can take an example from a tax administration. From the beginning the tax administration was situated in the finance ministry but one of the problems then was the fact that the finance minister had the right to allow exceptions from the taxation laws. Of course there was a great risk for bribes there. Then they removed the tax administration and the whole tax system from the finance ministry and in this way there was an independent application of the taxation laws. At the same time they tried to create a more open recruitment procedure based on merit, where it was made clear that the ones recruited to the highest positions were the people known for great integrity and that later were able to recruit their co-workers on the basis of merits. What happened then was that the corrupt networks that previous existed in the tax administration were broken to pieces and the corruption was reduced drastically during the first year. But later research have proved that the corruption was running again after some years, partly because of the fact that one could form new connections weaker than the old ones but still they were created again after some years.

³⁵ Karlström, Bo, chairman, TI Sweden, interview on November 2, 2004.

³⁶ Ibid.

³⁷ Rodriguez, Diana, Program Manager TI, interview on December 10, 2004

Among others when trying to recruit new co-workers there were part of them who enclosed so called “speed money”, thus they sent a small sum of money to the person receiving the application for a job, to make it be dealt with a little faster. And so by that one had indicated an interest for building up a corrupt network. Then if the one receiving the application was interested of building up a corrupt network thus they had a suitable candidate here. That was one of them. The other was that the ones fired from the tax administration, at the time it was at the finance ministry, quickly became employed by the enterprises, both the ones importing and exporting and, thus often customs is a greater thing than income- and enterprise taxes. And these old tax experts quickly became employed, partly because they knew the taxation laws and eventual loopholes but also because they had certain contacts with the new officials, and then became new corrupt networks. So what happened in spite of the fact that they raised the salaries a great deal, one had a recruitment procedure based on merit, was that the corruption initially declined dramatically but it increased again later on.³⁸

From Ström’s description of the problem we get a clear picture of how embezzlement lived on in the tax administration in Tanzania in spite of the fact that the institutions were changed and new incentive structures were put in place (such as, among other things, higher wages), which were intended to encourage honest behavior. For our theory, this is a significant illustration of the how the mechanism in *strategically resistance from corrupt networks* operates. Michel Nussbaumer argues that corrupt networks very often bring in their power to resist change in an early phase of a reform process. He recounts that a number of times he has experienced how proposed Bills prepared with the assistance of the EBRD have been insipid before reaching parliament to such an extent that they have had a directly negative impact. The solution has, in the cases where it has been constitutionally possible, consisted of a consultation with the president of the country where he or she is asked to use his or her veto on the Bill in question. According to Nussbaumer, members of parliament often represent “different lobbies” with great influence and clear opinions about how the legislation should be designed so as to not threaten the corrupt networks in which they may be active participants.³⁹

Something that was frequently expressed by the persons interviewed is that there is a downside of the fact that corruption today is getting so much attention and becomes

³⁸ Ström, Sten, administrative official, SidaSida, interview on December 9, 2004.

³⁹ Nussbaumer, Michel, Team Leader, Legal Transition and Knowledge Management EBRD, interview on November 24, 2004.

heavily politicized. Their experience is that the anti-corruption efforts from international organizations in many cases are being utilized by corrupt elites to further strengthen their grasp of power and to raise the revenues from corruption. Sten Ström as well as Diana Rodriguez certainly find it gratifying that in numerous countries today it is politically impossible not to have a anti-corruption agenda. At the same time they emphasize that one has to be wary so that this attention to anti-corruption is not only for show. Rodriguez recounts how the thoroughly corrupt former President in Peru, Alberto Fujimori, was chosen to be president on an anti-corruption platform.⁴⁰

I mean Fujimori is a disastrous example because he obviously had little intention of doing anything other than being corrupt and using his office to gain mass amounts of personal resources and power.⁴¹

Alan Rousso develops this argument when stating that the elites in power in many of the countries where the bank's field of action takes place have become incredibly capable in designing "these kinds of phantom anti-corruption programs". He further argues that what foremost unites corrupt leaders today is their outspoken interest and determination to fight corruption.⁴²

According to Rousso, the fact that corruption is such a big problem and that something has to be done to restrain it is in most cases not denied. But the motive for such an approach is in most cases something very different than a real intention to do something to curb that which constitutes the political and economic foundation of their power.

Some of them see anti-corruption slogans as convenient ways of conduction political vendettas against the opposition, so they throw opposition members in jail calling them corrupt. Some of them see an anti-corruption program with lots of bells and whistles as the only way of getting the European Commission or others off their backs. Some of them see these anti-corruption programs as means of meeting IMF or World Bank conditionality and so they do it for that reason. ... But the number of countries that really want to reduce corruption because it's costing the budget something and it's costing the society something is very very small.⁴³

⁴⁰ Fujimori, son of the Japanese immigrant, went into exile in November 2000 after a big corruption scandal was discovered in the native country. In the capital of Japan, Tokyo, he resigned the presidential post in Lima via fax.

⁴¹ Rodriguez, Diana, Program Manager, TI, interview on December 10, 2004

⁴² Rousso, Alan, Senior Political Counselor, EBRD, interview on November 24, 2004.

⁴³ Rousso, Alan, Senior Political Counselor, EBRD, interview on December 6, 2004.

It might be considered as a kind of tragic double fault when corrupt power elites politicizes the question of anticorruption and then uses the momentum to fight political opponents or to entice further capital from foreign countries that they can embezzle. The conclusion we draw from these interviews is how extremely complicated it can be to fight corruption because it is a phenomena which by its very nature is both well-entrenched, widespread and at the same time concealed. Policy efforts that are not based on a sound analysis of the complexities run the risk of strengthening rather than weakening the position and influence of corrupt networks.

Mechanism II: Self-fulfilling expectations

From the previous section we can conclude that international anti-corruption actors consider the resistance from corrupt networks as a real and serious obstacle to reforms. In this section our intention is to use the interviews for analyzing the importance of self-fulfilling expectations, which can be seen as an expression of the cognitive side of corruption. As with the first mechanism, we will begin by giving an empirical description of how this mechanism is perceived by the agents we interviewed as a source of resistance against change. Secondly, we will present some examples of how expectations about corruption can turn to self-fulfilling prophecies and as such reproduce corrupt behavior over time.

As described in the first section, research and policy advice on anti-corruption is almost brimming over with suggestions of different institutional changes that will change incentives that will reduce corruption. Among the persons interviewed, there is a slightly different opinion towards reforms with the purpose to “incentive away” corrupt behavior. Sten Ström states that he gets more and more convinced that it will never be possible to create “waterproof control mechanisms against corruption”. Instead, he argues that it is a “question of attitude”.⁴⁴ He further speaks about creating “a public ethos” and that it is all about making public employees and politicians aware of the fact that they hold a position of trust and that their aim can not be to enrich themselves and their relatives.⁴⁵ Bo

⁴⁴ Ström, Sten, administrative official, SidaSida, interview on December 12, 2004.

⁴⁵ Ibid.

Karlström does not believe that "one can change a society in a police manner" but when "the whole society is infiltrated by the corrupt acts" it is instead all about finding some way to change the ethical opinion of people.⁴⁶ Björn Janson expresses the same opinion when he explains that corruption is a problem of society rather than just a legal problem. During the period following the fall of the Berlin Wall, he noticed how many countries have changed their legislation and constitutions without this being followed by a real reduction of the levels of corruption. He believes that the legislation obviously must exist but that:

...it does not secure the underlying reasons because of the fact that corruption is a much wider problem, a cultural problem, a social problem, a problem above all in countries where ethics and norms are missing.⁴⁷

Janson feels that new legislation must be accomplished by a new "civil service tradition" where it is a matter of duty and honor not to use one's position to privately enrich oneself. Alan Rousso also gives examples in the same line of thinking when he says that "changing the incentives will not necessarily eradicate corruption overnight" because corruption in many countries "is embedded in the culture and the history" and has become "a way of life".⁴⁸ Consequently it seems as if international actors perceive a kind of underlying mechanisms that relates to culture or deeply entrenched social norms making changes more difficult or counteracting efforts to reform.

A central part of the self-fulfilling expectations mechanism is that a cultural explanation of corruption should not consist of statements saying that certain ethnic groups consider corruption to be morally right or that it is in their "nature" not to separate their private roles from their official ones. Instead, we argue in that culture in this context should be understood as a taken-for-granted expectation of what "others are going to do" and in this "others" we include both "other people in general" and those acting on the behalf of the public institutions of society. Before we show how the persons interviewed are reasoning about this "expectation mechanism", we would like to point out some interesting reflections of why culture in this context is not a question of a lack of morality.

Sten Ström depicted an interesting conversation about corruption he had when visiting a rural tribe in South Africa. The members of the tribe told him that according to their

⁴⁶ Karlström, Bo, chairman, TI, Sweden, interview on November 2, 2004.

⁴⁷ Janson, Björn, administrative official, GRECO, interview on November 25, 2004.

⁴⁸ Rousso, Alan, Senior Political Counselor, EBRD, interview on November 24, 2004.

tradition, it was customary to bring a gift when going to their headman for advice. It was for them a way of showing respect. But as Ström explains:

Everybody knows the limits between a courteously gift on the one hand and something more where the purpose is to influence the advice or decision of the headman. There is a feeling among people where the limits are and nobody actually thinks that corruption is OK. This is important to underline because a lot of people are saying that, this thing is cultural and that people think it's OK. But people do not think it's OK, but in most cases they don't have a choice.⁴⁹

According to Ström there is no principal difference between the moral views of corruption in Sweden and South Africa. In both countries, "ordinary people" strongly condemn corruption. The reason why corruption is much more common in the later case is instead that corruption is so deeply rooted in the South African society that people realistically do not have the possibility not to participate in the game. Björn Janson for his part thinks that the same goes for East- and Central Europe. He suspects that many comparisons between the corruption in Western and Eastern Europe are misleading because they are built on different ways of defining the problem.

In East and South East Europe they talk about corruption as non-lawyers that is so to speak more than what is criminalized while in the further north you get the more distinct is the limit that corruption is a legal problem.⁵⁰

In Janson's view, it is obvious that the inhabitants of the former communist states are perceiving corruption as something morally objectionable. Most clear on this point is maybe Enery Quinones who expresses that corruption has absolutely nothing to do with a specific moral outlook. Instead, she argues that it is absurd to assert that "certain people are more inclined to be corrupt than others".⁵¹

When trying to dig deeper into the questions of "public ethos", "tradition of officials" and "perception of ethics", it became clear that instead of seeing people in corrupt countries as in some way morally defective, it was all about what expectations people had about their fellow citizens and the societal institutions. Bo Karlström is of the opinion that in

⁴⁹ Ström, Sten, administrative official, SidaSida, interview on December 12, 2004.

⁵⁰ Janson, Björn, administrative official, GRECO, interview on November 25, 2004.

⁵¹ Quinones, Enery, Chief Compliance Officer, EBRD, interview on November 24, 2004.

systematically corrupt countries, corruption has “sunk in to the whole body of society” and has become “fully accepted”. He continues:

And the terrible thing is that it spreads, everybody expected it to be this way. You have to pay to get a passport, you don’t ask yourself why anymore but instead there’s a charge everybody has to put up with. And when the corruption gets stuck so deep in the society it takes a very long time to get rid of it..⁵²

People in corrupt settings are thus expecting that corruption is inevitable and in their daily business stop asking themselves why it has to be that way. These expectations translate into a cognitive template of “what others are going to do”, which is what drives corruption. When such a situation has occurred, Diana Rodriguez thinks that expectations about others also have a direct impact on people’s own acting. In her words: “oh everybody else is dealing so I might as well”.⁵³ To participate in corrupt behavior can according to Rodriguez very well be perceived as something ethically wrong and at the same time people see that it is either impossible or meaningless to act in an honest way in a thoroughly corrupt context. In his thoughts about how much can be brought about through reforming incentive structures, Alan Rousso draws the conclusion that people who have lived their whole lives in corrupt societies and by this have gained a huge amount of experience about how “things work”, will not suddenly get less inclined to use bribes to get better medical treatment, a better house or reduced regulations of their trade and industry. As Rousso expresses it: “they will assume that this is just the way business is done”. He argues that what may be required is,

...a new generation of people to not accept corruption as a fact of life and to recognize it as a disease, an indication of the weakness of institutions and a problem with state institutions that can be fixed..⁵⁴

According to Rousso, expectations about corruption can be enormously tenacious and by that make an important resistance against changes of corrupt patterns of behavior. The same reasoning is given by Wolfgang Rau when he answers the question about which principal obstacles to positive reforms he sees in the member countries of the Council of Europe.

You might have countries where corruption is pervasive, it has always been there. Corruption is part of everyday dealings with public administration. Everybody *expects*

⁵² Ibid.

⁵³ Rodriguez, Diana, Program Manager, TI, interview on December 10, 2004

⁵⁴ Rousso, Alan, Senior Political Counselor, EBRD, interview on November 24, 2004.

corrupt acts to happen. That means the official *expects* the ordinary citizen to pay or to give other advantages for carrying out action, and the citizen who request an administration to do something will *expect* the same thing, that means he or she will think, OK I cannot obtain anything if I do not play the game. So that is something that is *intrinsic* in a given system and changing the fundamental layout of systems always takes a lot of time. Therefore this *inertia* of systems is one of the reasons why there is an *inbuilt obstacle* so to speak.⁵⁵ (our italicizing)

In the citation above Rau confirms the view that expectations from the behavior of others among both the giving- and the receiving part constitutes, with his formulation, built-in obstacles to change. He also indirectly touches upon the reason why the expectations on the individual level are self-fulfilling. People expecting that corruption is necessary to be successful in contacts with public institutions will themselves act corrupt even if they think that it is morally wrong. A little further in the interview Wolfgang Rau formulates it like this: "In highly corrupt countries the general public considers that they can achieve virtually nothing if they are not willing to pay commissions."⁵⁶ The reproducing mechanism is constituted by the difference between individual and collective rationality. An individual can be fully clear about the fact that corruption disadvantage people in general (and also people like him/her) but still feel forced, in a given situation, to play the game to be able to live a tolerable life. Diana Rodriguez believes that it is important to put attention on the fact that the problem is occurring among givers as well as receivers of bribes, even if the most disadvantaged of course are the latter ones.

Police are not paid enough to support their families and so they take bribes from people. In terms of people paying bribes it's just regularly people who know that if they don't pay bribes they might not get education for their kids or they might not have access to basic services. So often there it's just need, it's not really greed, but in some economic and social contexts it's just very very difficult to get by without engaging in corruption when the system is so, when corruption is so pervasive in the system.⁵⁷

Thus, to make the individual chose to act in an honest way, what is needed is that her expectations change so that she thinks that most other people also make this choice. This is of course unlikely in a context like the one Rodriguez is describing. Sten Ström develops this issue from the perspective of the receiving part and reminds us of the fact

⁵⁵ Rau, Wolfgang, Executive Secretary of GRECO, interview on December 6, 2004.

⁵⁶ Ibid.

⁵⁷ Rodriguez, Diana, Program Manager, TI, interview on December 10, 2004.

that in many countries it is expected of the ones having a job from which one can extract bribes to support the whole family with their income.

Thus this means that if you raise the salary of the policeman then maybe the family will raise their demands because now you know that the policeman both have a higher salary and possibility to obtain bribes by force. So it is not sure that the problem is solved by raising the salaries.⁵⁸

The underlying expectations of how the society and the people work thus reproduce a corrupt behavior even if incentives (like higher wages) are introduced that reduce the economic need for taking bribes. Ström gives yet another example from the time when he was working for the Lutheran church in Tanzania. He could then closely watch how his co-workers were exposed to an enormous pressure from friends and family who expected to get access to the money from the church to finance among other things education and medical treatment. The fact that the money belonged to a foreign organization had to stand back to more concrete problems among the co-workers “own flesh and blood”.⁵⁹

In the previous section we discussed how dishonest leaders have an interest in corruption being questioned as little as possible. To corrupt elites it is of course convenient when ordinary citizens contemplate corruption as a natural way of living and accepts a system where they are forced to pay bribes. In this way, the elites do not have to be engaged in direct efforts to manipulate expectations. When people are informed by the mass media that their politicians and officials are corrupt, they can infer back to their own situation that this is something you have to do to get by.⁶⁰ What happens in such situations is according to Alan Rousso that citizens’ trust in the public institutions is hollowed out as is their will and their incentives for being honest.

If ordinary citizens start to feel that their leaders and their judges and the bureaucrats are not honest and outstanding they are not necessarily going to be playing by a different set of rules. It saps confidence in the system and in the institutions and then people take matters into their own hands. Corruption becomes a sort of way of life.⁶¹

⁵⁸ Ström, Sten, administrative official, SidaSida, interview on December 12, 2004.

⁵⁹ Ibid.

⁶⁰ The daughter of Peru’s former president Alberto Fujimoro has launched what seems to be a successful campaign in the upcoming elections in Peru. The goal is to get legal immunity for her corrupt father. People supporting the campaign are reported to say that while he may have done a number of bad things, this is what you have to do if you are a leading politicians in order to do some good things for your loyal followers. *New York Times*, April 9, 2006.

⁶¹ Rousso, Alan, Senior Political Counselor, EBRD, interview on November 24, 2004.

Wolfgang Rau believes that there is a constant interaction between the different actors of society going on where the elites have a great possibility to affect how ordinary people look upon their situation and their possibilities of choice. He discerns two widely varying roles which the elites can play.

One would be that be that high officials or other public figures, politicians, are part of the corrupt business. And then they would certainly contribute to the lack of trust of citizens in their political and administrative institutions. But the other thing is, at the same time, the highest political and administrative level could well spread the message that corruptive practices are totally unacceptable and that they need to be curbed by all means available.⁶²

In the later variant, Rau believes that people's expectations are being affected in a positive way which in the end can constitute a way to break a corrupt societal pattern. As of today, he thinks that he sees a tendency that questions of corruption are becoming politicized in an increasing number of the member countries which leads to a situation in which it becomes a political impossibility for a government not to have an anticorruption strategy or at least state publicly that they see corruption as a major problem.⁶³ Diana Rodriguez gives a concrete example of how people's changed expectations in Nicaragua lead to a political situation in which the former president Arnoldo Aleman was put before a court for having embezzled large sums of money. Her judgment is that this never would have happened if people were still "inured to corruption".⁶⁴ On the other hand, Alan Rouso gives an account of when the expectations of the public are manipulated so immensely that corruption is not considered as a problem anymore i.e. when the expectations are in the third face of power.

If you go into a lot of the countries where we operate, people don't think corruption is a problem because it is a way of life, and oftentimes you see surveys that say, I don't think that corruption is a big impediment to doing business. And yet at the same time you may see that corruption may cost ten or twelve or fifteen percents of the annual revenues for businesses. So how can it not be a problem or an impediment? That's not an impediment because I know who to pay, I know how much I have to pay, and I just pay, and it is part of life. So there is this kind of dichotomy or paradox, if you will, in a lot of those countries.⁶⁵

Despite the fact that businessmen are stating that corruption costs them up to fifteen percent of the incomes of the company they are thus not considering corruption as a

⁶² Rau, Wolfgang, Executive Secretary of GRECO, interview November 25, 2004.

⁶³ Ibid.

⁶⁴ Rodriguez, Diana, Program Manager, TI, interview on December 10, 2004.

⁶⁵ Rouso, Alan, Senior Political Counselor EBRD, interview on November 24, 2004.

problem. Rousso is calling this a paradox. From our perspective, the substance of this paradox lies in how corruption as an institutional reality cognitively influences preferences. If everyone is paying fifteen percent for “protection”, then for the individual businessmen it may just seem as a tax that is equal for all. That it hurts the collective interest of achieving economic growth may not be so obvious for the individual. However, Alan Rousso indicates an important exception from this situation when discussing Ukraine and the so-called “orange revolution” that recently took place when Viktor Juschtschenko came to power. His explanation for why the events in Ukraine took place when they did is the following: During a longer period of time there had been building up a “gap between what the people wanted and what the power structures seemed to be doing”. Furthermore:

People had their expectations raised that the elections would be the opportunity to move beyond this sort of Kuchma status quo and then they felt that it was deprived of them. So that’s what brought them out onto the streets.⁶⁶

Roussos story about the development in Ukraine is a good example of how the cognitive mechanism with the self-fulfilling expectations can be broken and how real changes can be achieved. It is thus important to point out the fact that how expectations are being affected by elites does not have a direct connection to how people act in a concrete situation. The risk that self-fulfilling expectations are reproducing corruption is still impending taking the built-in difference between individual and collective rationality into consideration.

According to Diana Rodriguez, in situations of transitions like the one in Ukraine, the expectations of the public according to are very sensitive and can easily move in various directions. The basic popular opinion about politicians, officials and corporations is that they are often more or less corrupt. That means that new leaders coming to power have a quite short time to prove that they are different towards their precursors.

Expectations run high when a government is elected on an anti-corruption platform. You know, when a system has been endemically corrupt and then a new government comes in and promises to clean up, then the expectations that they will do so are very high. And if those expectations aren’t met and aren’t met pretty quickly, within the first year or so, then the popularity and the support for the government might fall and that is something which

⁶⁶ Rousso, Alan, Senior Political Counselor, EBRD, interview on December 6, 2004.

we have seen happening in quite a few countries, that the kind of window of opportunity really for tackling corruption can be quite small.⁶⁷

A new government can thus get stuck by the cognitive mechanism of self-fulfilling expectations despite holding a genuine political will to curb corruption. People's attitudes can be so entrenched that their expectations easily returns to the more somber and cynical kind. An example is a government concentrating on reform and that opens up to a more independent review by the media. This will lead to more cases of corruption being noticed, which may affect people's expectations about the possible of achieving honest government in a negative way.

Borttaget: ¶

Borttaget: ¶

Conclusions

The interviews confirm that systematically corrupt societies have, as Wolfgang Rau sententiously formulated it, "built-in obstacles to change". The idea of a cognitive construction of the casual model where corruption is described in a path-dependent time-perspective gets quite some empirical support. Likewise, the interviews show that the two ideas about how the self-strengthening mechanisms work that we presented capture how international actors understand the problem and causality of corruption. In short, these reformers have experienced how corrupt networks as well as self-fulfilling expectations are throw spanners in the efforts to reform corrupt systems.

It is interesting to note that both mechanisms seem to be at work on different levels in society and for small-scale as well as large-scale corruption. Resistance against reform can be found in self-interest from networks that includes headmen on lower levels. In the same way self-fulfilling expectations are playing a role when citizens feel forced to bribe an official to get things like education and medical treatment. On the aggregate level, people's expectations become a problem also for trustworthy governments that try to reform the system. The problem of corrupt networks seems to be more important for large-scale corruption while self-fulfilling expectations is more related to small-scale corruption. It is quite obvious that the strength in strategic resistance increases in time

⁶⁷ Rodriguez, Diana, Program Manager, TI, interview December 10, 2004.

with the importance of the members of the networks. However, we cannot take for granted that self-fulfilling expectations are less important at the higher echelons of society. Thus, we all seem to be slaves under the expectations of how our fellow citizens are going to act. While it may be impossible for ordinary citizen not to join the game, it can be as irrational for corrupt officials and politicians to change their corrupt practices as long as they do not think that the other actors at their level are making the same choice, or as long as the public on an aggregated level still consider corruption as fact of life.

Even if it is clear that both mechanisms are at work separately, there are at the same time some interesting connections between them. For example, in the role that rationality plays, it is noticed that expectations about norms also are being reproduced. For example, Sten Ström pointed at a thoughtful variant of how the two mechanisms can work together. He believes that in many cases a corrupt behavior is initiated by reasons of survival since in many societies that is the only way to support yourself and your family. The norm against corrupt behavior is thus relaxed by the forces of necessity. However, if the incomes from bribes increases for the civil servant in question, and her/his career is going upward, a position is thus finally achieved where the actor in question has enough power and influence to oppose changes and manipulate political decisions.⁶⁸

The connections emerging during the interviews in most areas were how political elites made use of the increasing political attention corruption has gotten to usurp further power and assets. In the corresponding way, cynicism over how initially honest governments often failed to create a long-term trustworthiness for their work against corruption was expressed. In the first case corrupt networks perceive in which direction the political wind is blowing and are ruthlessly making use of people's changed expectations for their own strategic purposes. The hidden motives could be to get international political recognition and to increase the financial support to the country. However, a pronounced fight against corruption may as well be a way of weakening the opposition's power. In the later case, we cannot but conclude that it is nothing but deeply tragic that forces aiming at reforms against corruption usually do not have the power to act in a way that changes people's expectations about the power and endurance of corrupt networks.

⁶⁸ Ström, Sten, administrative official, Sida, interview on December 12, 2004.

- Alence, Rod. 2004. Political Institutions and Developmental Governance in Sub-Saharan Africa. *Journal of Modern African Studies* 42 (2):163-187.
- Alesina, Alberto, and George-Marios Angeletos. 2005. Corruption, Inequality and Fairness: NBER (National Bureau of Economic Research). Cambridge, MA. Working Paper No. 11399.
- Bardhan, Pranab. 1997. Corruption and Development: A Review of the Issues. *Journal of Economic Literature* 35 (3):1320-1346.
- Blomkvist, Hans. 2001. Stat och förvaltning i u-länder. In *Politik som organisation, 3:e uppl.*, edited by B. Rothstein. Stockholm: SNS.
- Clague, Christopher. 1997. The New Institutional Economics and Economic Development. In *Institutions and Economic Development*, edited by C. Clague. London: Johns Hopkins University Press.
- Dininio, Phyllis. 2002. Political Science and Anti-Corruption Assistance. Washington D. C: Annual Meeting of the American Political Science Association.
- Easterly, William. 2001a. *The Elusive Quest for Growth*. Cambridge, Mass.: The MIT Press.
- Easterly, William R. 2001b. Can Institutions Resolve Ethnic Conflict. *Economic Development and Cultural Change* 49 (4):687-706.
- Evans, Peter, and James E. Rauch. 1999. Bureaucracy and Growth: A Cross-National Analysis of the Effects of "Weberian" State Structures on Economic Growth. *American Sociological Review* 64 (5):748-765.
- Finkel, Steven E. 1995. *Causal Analysis with Panel Data*. Thousand Oaks: Sage.
- Hall, Peter. 2003. Aligning Ontology and Methodology in Comparative Politics. In *Comparative Historical Analysis in the Social Sciences*, edited by J. Mahoney and D. Rueschemeyer. New York: Cambridge University Press.
- Hechter, Michael. 1992. The Insufficiency of Game Theory for the Resolution of Real-World Collective Action Problems. *Rationality and Society* 4 (1):33-40.
- Hodess, Robin, Jessie Banfield, and Toby Wolfe. 2001. Global Corruption Report 2001. Berlin: Transparency International.
- Johnston, Michael. 2005. *Syndromes of corruption : wealth, power, and democracy*. Cambridge: Cambridge Univ. Press.
- Karklins, Rasma. 2002. Typology of Post-Communist Corruption. *Problems of Post-Communism* 49 (4):22-32.
- Karklins, Rasma. 2005. *The system made me do it : corruption in post-communist societies*. Armonk, N.Y.: M.E. Sharpe.
- Knack, Stephen, and Philip Keefer. 1997. Does Social Capital Have an Economic Payoff? A Cross-Country Investigation. *The Quarterly Journal of Economics* 112 (4):1251-1288.
- Kornai, János. 2000. Hidden in an Envelope. Gratitude Payments to Medical Doctors in Hungary. Budapest: Collegium Budapest Institute for Advanced Study.
- Lichbach, Mark I. 1997. *The Co-operator's Dilemma*. Ann Arbor: University of Michigan Press.

- Mantzavinos, C., Douglass C. North, and Syed Shariq. 2002. Learning, Change and Economic Performance. Boston: Annual Meeting of the American Political Science Association.
- Miller, Gary J. 1992. *Managerial Dilemmas. The Political Economy of Hierachy*. Cambridge: Cambridge University Press.
- Mungiu-Pippidi, Alina. 2006. Corruption: Diagnosis and Treatment. *Journal of Democracy* 17 (3):86-99.
- Myrdal, Gunnar. 1968. *Asian Drama: An Enquiry into the Poverty of Nations*. New York: Twentieth Century Fund.
- North, Douglass C. 1998. Where have we been and where are we going? In *Economics, Values and Organization*, edited by A. Ben-Ner and L. Putterman. Cambridge: Cambridge University Press.
- Offe, Claus. 2004. Political Corruption. Conceptual and Practical Issues. In *Building a Trustworthy State in Post-Socialist Transition*, edited by S. Rose-Ackerman and J. Kornai. New York: Palgrave/Macmillan.
- Olson, Mancur Jr. 1996. Big Bills Left on the Sidewalk: Why Some Nations are Rich, and Others Poor. *Journal of Economic Perspectives* 10 (1):3-22.
- Ostrom, Elinor. 1998. A Behavioral Approach to the Rational Choice Theory of Collective Action. *American Political Science Reveiw* 92 (1):1-23.
- Pierson, Paul. 1994. *Dismantling the Welfare State: Reagan, Thatcher, and the Politics of Retrenchment*. Cambridge: Cambridge University Press.
- Pierson, Paul. 2004. *Politics in time : history, institutions, and social analysis*. Princeton, N.J.: Princeton University Press.
- Robert, Harris. 2003. *Political Corruption in and Beyond the Nation State*. London: Routledge.
- Rodrik, Dani. 1999. Institutions For High-Quality Growth: What They Are and How to Acquire Them. Paper read at International Monetary Fund: Conference on Second Generation Reform, Nov 8-9, 1999 [<http://www.imf.org/external/pubs/ft/seminar/1999/reforms/rodrik.html>], at Washington D. C.
- Root, Hilton R. 1996. *Small Countries, Big Lessons: Governance and the Rise of East Asia*. Hong Kong: Oxford University Press.
- Rose-Ackerman, Susan. 1999. *Corruption and Government. Causes, Consequences, and Reform*. Cambridge: Cambridge University Press.
- Rose-Ackerman, Susan, and János Kornai, eds. 2004. *Building a Trustworthy State in Post-Socialist Transition*. New York: Palgrave/Macmillan.
- Rosenberg, Morris. 1968. *The Logic of Survey Analysis*. New York: Basic Books.
- Rothstein, Bo. 2000. Trust, Social Dilemmas and Collective Memories. *Journal of Theoretical Politics* 12 (4):477-503.
- Rothstein, Bo. 2005. *Social Traps and the Problem of Trust*. Cambridge: Cambridge University Press.
- Rothstein, Bo, and Daniel Eek. 2006. "Political Corruption and Social Trust: An Experimental Approach." Paper presented at the Annual Meeting of the American Political Science Association, Philadelphia Aug. 31 - Sept. 3, 2006.
- Rothstein, Bo, and Eric M. Uslaner. 2006. All for All. Equality, Corruption and Social Trust. *World Politics* 58 (3).

- Sandholtz, Wayne, and Mark M. Gray. 2003. International Integration and National Corruption. *International Organization* 57:761-800.
- Sandholtz, Wayne, and William Koetzle. 2000. Accounting for Corruption: Economic Structure, Democracy and Trade. *International Studies Quarterly* 44 (1):31-50.
- Tanzi, Vito. 2000. *Policies, Institutions and the Dark Side of Economics*. Northampton: Edward Elgar.
- Thelen, Kathleen. 1999. Historical Institutionalism in Comparative Perspective. *Annual Review of Political Science* 2:369-404.
- UNDP. 2002. *Human Development Report 2002 - Bosnia and Herzegovina*. New York: United Nation Development Program.
- Weir, Margaret. 2006. When Does Politics Create Policy: The Organizational Politics of Change. In *The Art of the State: Rethinking Political Institutions*, edited by I. Shapiro, S. Skowronek and D. Galvin. New York: New York University Press.
- Young, H. Peyton. 1998. *Individual Strategy and Social Structure: An Evolutionary Theory of Institutions*. Princeton: Princeton University Press.